

## **9.1.2 2016/17 DRAFT BUDGET**

**File No:**

**Responsible Official: R Ontong**

**Directorate: Financial Services**

**Portfolio: Financial Planning**

### **Purpose**

The purpose of this submission is to present the 2016/17 MTREF draft Budget.

### **Legal Framework**

Section 16 of the Municipal Finance Management Act states:

#### **“Annual budgets**

16. (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three Financial years, provided a separate appropriation is made for each of those financial years.

#### **Contents of annual budgets and supporting documents**

17. (1) An annual budget of a municipality must be a schedule in the prescribed format —
- (a) setting out realistically anticipated revenue for the budget year from each revenue source;
- (b) Appropriating expenditure for the budget year under the different votes of the municipality;
- (c) Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
- (d) Setting out —
- (i) Estimated revenue and expenditure by vote for the current year; and

(ii) Actual revenue and expenditure by vote for the financial year preceding the current year; and

(e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed"

### **Financial Implications**

The financial implications of the 2016/17 MTREF draft budget is captured in the Budget Report.

### **Annexures**

Municipal Budget and Reporting Regulations Schedule-A Budget tables  
**(Annexure A)**

Quality Certificate **(Annexure B)**

Revised Budget Related Policies **(Annexure C)**

- Credit Control and Debt Collection Policy;
- Funding and Reserves Policy;
- Insurance Management Policy;
- Long Term Financial Plan Policy;
- Property Rates Policy;
- Tariff Policy; and
- Write-off Policy.

Municipal Tariffs **(Annexure D)**

Municipal Finance Management Act Circular 78 **(Annexure E)**

# **DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2016/2017 – 2018/2019**

# BREED VALLEY

Municipality    Munisipaliteit    U Masipala wase



**WORCESTER ▼ RAWSONVILLE ▼ DE DOORNS ▼ TOUWS RIVER**

**30 MARCH 2016**

## **TABLE OF CONTENTS**

### **PART 1 – Annual Budget**

1. Mayors' Report
2. Resolutions
3. Executive Summary
4. Annual Budget Tables

### **PART 2 – Supporting Documentation**

5. Overview of annual budget process
6. Overview of alignment of annual budget with IDP
7. Measurable performance objectives and indicators
8. Overview of budget related policies
9. Overview of budget assumptions
10. Overview of budget funding
11. Expenditure on allocations and grant programmes
12. Allocations on grants made by the municipality
13. Councillor allowances and employee benefits
14. Monthly targets for revenue, expenditure and cash flow
15. Contracts having future budgetary implications
16. Capital expenditure details
17. Legislation compliance status
18. Other supporting documents
19. Annual budgets of municipal entities attached to the annual budget

## **Abbreviations and Acronyms**

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GDS	Gauteng Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations

PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

## **PART 1 – Annual Budget**

### **1. Mayor's Report**

The mayor's report is encapsulated in the executive summary further down. The final budget will contain a separate report.

### **2. Resolutions**

It is recommended to council that in respect of the 2016/17 MTREF, and outer financial years

### **3. Executive Summary**

#### **3.1 Legislative Background**

Section 16 of the Municipal Finance Management Act states:

"Annual budgets

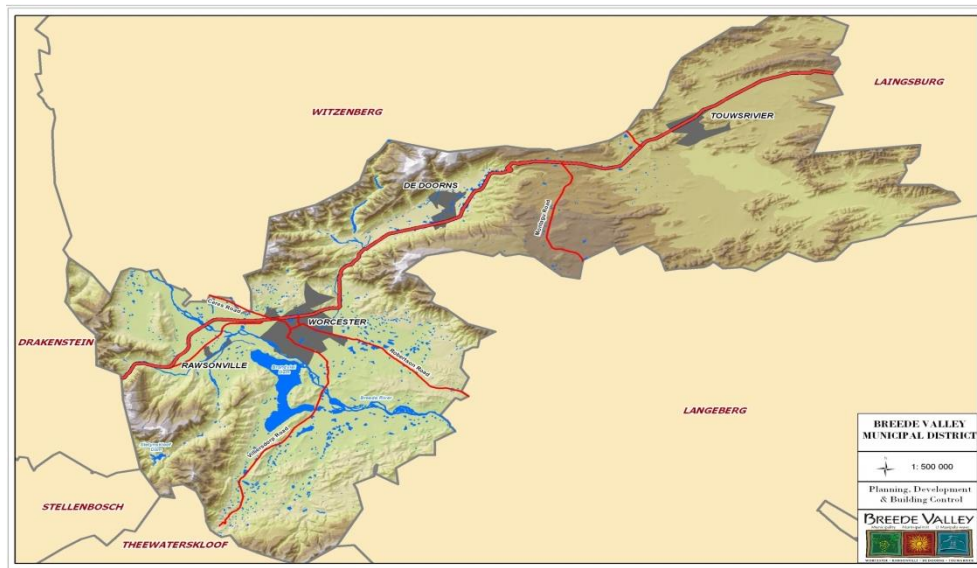
16. (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

(3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three Financial years, provided a separate appropriation is made for each of those financial years"

#### **3.2 Municipal General Overview**

The map below outlines the geographical area of Breede Valley Municipality. As per the map Breede Valley Municipality serves the towns of De Doorns, Rawsonville, Touwsrivier and Worcester. Surrounding municipalities include Drakenstein Municipality, Langeberg Municipality, Laingsburg Municipality, Stellenbosch, Theewaterskloof and Witzenberg Municipality.



## Strategic Framework, Pillars and Objectives of the Municipality

### STRATEGIC FRAMEWORK



**'A unique and caring Valley of services excellence, opportunity and growth.'**



**'To provide sustainable and affordable basic services in a safe and healthy environment which, promotes social and economic welfare through participative governance in a committed service orientated approach and appreciates committed staff as the organization's most valuable resource and key to services delivery.'**



**Strategic Pillars:**  
Opportunity  
Caring  
Safety  
Inclusiveness  
Well-run Municipality

**VISION/MISSION STATEMENT & STRATEGIC PILLARS**





## Strategic Pillars & Objectives

Strategic Pillars	Strategic Objectives
<b>Opportunity</b>	To create a unique and caring Valley of service excellence, opportunity and growth
<b>Safety</b>	To ensure a safe, healthy, clean and sustainable external environment for all Breede Valley's People
<b>Caring</b>	To create and enabling environment for employment and poverty eradication through pro-active economic development and tourism
<b>Inclusive</b>	To provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local government
<b>Well-run municipality</b>	To assure a sustainable future through sound financial management, continuous revenue growth, corporate governance and risk management practises
	8

### 3.3 Budget Principles and Criteria

The 2016/17 MTREF was compiled based on the following principles and criteria:

#### Credibility

- Planned Activities must be consistent with the IDP and vice versa.
- Financial viability of municipality should not be jeopardised.
- Ensure Capacity to spend the budget.

#### Sustainability

- Financial sustainability/ overall financial health of Municipality.
- Revenue/ Expenditure budgeted must be realistic.

#### Responsiveness

- To the needs of the community / public.
- Alignment of IDP, LED Strategies with Budget to give effect to provincial and national priorities.
- Budget must be responsive to economic growth objectives and the socio- economic needs of the community.

## **Affordability**

- Tariffs must not be increased unreasonably and consumers must be able to afford tariffs.

The 2016/2017 draft budget is compiled in line with chapter 4 of the Municipal Finance Management Act, MFMA Circular 78 and other relevant circulars and / or guidelines from National Treasury and Provincial Treasury. The draft budget strives to be consistent with the financial norms and ratios as per the MFMA Circular 71 to ensure sound and sustainable management of financial affairs of the municipality. The draft budget is also consistent with the Long Term Financial Plan to ensure synergy between long term planning and implementation of planning. Other important principles includes addressing the need of access to basic services and the efficient capacitation of the municipality, which is in many instances a challenge given limited financial resources.

The main challenges experienced with the compilation of the 2016/17 MTREF are as follow:

- Direct effect of the current state of the economy on larger municipalities relying on progressive economic activity.
- Ageing infrastructure and increasing service delivery backlogs.
- Increasing cost of bulk purchases resulting in pressure on the tariff structure to maintain a balance between sustainability and affordability.

Service charges and other revenue sources are prepared in accordance with planned activities / initiatives / developments and past performance trends to ensure that the budgeted amounts are realistic and do not negatively affect the credibility of the draft budget.

The operating expenditure budget compilation process was done in line with MFMA circular 78. In instances of inconsistencies, appropriate reason for the corresponding deviations are provided.

MFMA circular 70 highlighted examples of non-priority spending that need to be addressed by municipalities. Breede Valley Municipality remains commitment to the elimination of these items from the 2015/16 MTREF and applying a zero percent increase on related items where elimination or a decrease in the 2016/17 MTREF budget is not possible.

Given the publication date of the 2016/17 indicative allocations, incorporating the relevant allocation was unfortunately not possible as inputs from respective directorates have already been sourced. The option of requesting updated inputs, based on the indicative allocations was considered but proved to be

impossible given the deadline of the item to council. The municipality commits to using the updated figures in the compilation of the final budget to be approved by council.

The capital budget for 2016/17 aims to address the capital needs within the municipal area, given the available resources internally and externally. The main source of funding remains conditional grant allocations from National and Provincial government departments, followed by either internal funding or external loans (when applicable).

Breede Valley Municipality acquired an external loan to the value of R60 million during the 2015/16 financial year, of which R20.23 million in projects was moved to the 2016/17 budget year during the compilation of the mid-year adjustment budget.

### 3.4 Rebates

Rebates relating to Unemployed, Indigent and Pensioners (under and over 70 years of age) are displayed below:

#### 3.4.1 Rebates: Unemployed and Indigent

Household Income	Rates	Sewer	Refuse	Rental
R0 - R4 000	50%	50%	50%	100%
Max. Valuation	R 150 000			
<u>Free Basic Services</u>				
Electricity	50 Units			
Water	10 Kilolitre			

#### 3.4.2 Rebates: Pensioner

Household Income	Rates	Sewer	Refuse	Rental
Government Pension & Disability / Pensioners 60 years and older				
R0 - R4 000	100%	100%	100%	100%
> R4 001 - R4 500	25%	25%	25%	25%
Max Valuation	R 100 000			
<u>Free Basic Services</u>				
Electricity	50 Units			
Water	10 Kilolitre			

### 3.4.3 Rebates: Pensioner 70 years and older

Pensioners falling in this category are eligible for an additional R65 000.00 rebate on the calculation of their property rates bill. This overall rebate is capped at R150 000.00

Operational and capital transfers included in the draft budget for the 2016/17 MTREF are based on the indicative allocations

## 3.5 Budget Overview

The budget overview provides insight pertaining to the operating and capital budgets over the MTREF

### 3.5.1 Operating Revenue

The table below reflects the operating revenue in relation to the current year and 2016/17 MTREF.

Description  R thousand	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework					
	Original Budget	Adjusted Budget	Budget Year 2016/17	% increase from 2015/16 to 2016/17	Budget Year +1 2017/18	% increase	Budget Year +2 2018/19	% increase
<b>Revenue By Source</b>								
Property rates	98 510	99 142	112 202	13.17%	119 159	6.20%	126 189	5.90%
Property rates - penalties & collection charges	835	835	885	6.00%	940	6.20%	995	5.90%
Service charges - electricity revenue	360 890	360 890	385 044	6.69%	408 917	6.20%	433 043	5.90%
Service charges - water revenue	51 093	51 093	54 159	6.00%	57 516	6.20%	60 910	5.90%
Service charges - sanitation revenue	55 093	55 093	58 398	6.00%	62 019	6.20%	65 678	5.90%
Service charges - refuse revenue	31 541	31 541	33 433	6.00%	35 506	6.20%	37 601	5.90%
Service charges - other	(24 324)	(24 324)	(25 784)	6.00%	(27 380)	6.19%	(28 997)	5.90%
Rental of facilities and equipment	13 825	13 825	14 655	6.00%	15 564	6.20%	16 482	5.90%
Interest earned - external investments	9 000	9 000	10 000	11.11%	10 620	6.20%	11 247	5.90%
Interest earned - outstanding debtors	2 673	2 673	2 834	6.00%	3 009	6.20%	3 187	5.90%
Dividends received	-	-	-	0.00%	-	0.00%	-	0.00%
Fines	55 268	55 268	63 070	14.12%	66 793	5.90%	74 581	11.66%
Licences and permits	3 659	2 818	2 987	6.00%	3 173	6.20%	3 360	5.90%
Agency services	5 618	5 618	6 942	23.57%	7 373	6.20%	7 808	5.90%
Transfers recognised - operational	116 837	146 441	150 735	2.93%	210 144	39.41%	106 043	-49.54%
Other revenue	8 331	8 112	8 539	5.27%	9 069	6.21%	9 605	5.91%
Gains on disposal of PPE	1 000	1 000	1 060	6.00%	1 126	6.20%	1 192	5.90%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>789 849</b>	<b>819 025</b>	<b>879 160</b>	<b>7.34%</b>	<b>983 547</b>	<b>11.87%</b>	<b>928 924</b>	<b>-5.55%</b>

The overall operating revenue (excluding capital transfers and contributions) is budgeted to increase by 7.34 percent from the 2015/16 adjustment budget amount. The increases over the outer years amount to 11.87 percent and -5.55

percent for financial years 2017/18 and 2018/19 respectively due to the fact that the recognition of operational transfers could not be included.

Based on the current economic climate within the Breede Valley municipal area, tariffs (excluding electricity) were kept in line with the guidelines as per MFMA circular 78. This inflation linked increase in tariffs aim to promote sustainability of the revenue, other than the counterproductive method of increasing tariffs to such an extent that the collection rate deteriorates.

**Property Rates:** Budgeted revenue is anticipated to increase by 13.17 percent. This increase is mainly attributed to the new General Valuation roll being implemented as from 1 July 2017; and the current YTD performance during 2015/16 being more than initially projected.

**Electricity Revenue:** Electricity revenue is projected based on the current trend and 6.7 percent average increase.

**Service Charges:** Water revenue, refuse revenue and sanitation revenue are projected in line with the prescribed 6 percent increase.

**Interest on External Investments:** The investment revenue for the 2016/17 financial year is projected to increase by 11.11 percent. This increase is informed by the municipality's current investment portfolio, and the anticipated return on investments to be made during the 2016/17 financial year.

**Fines:** Revenue to be generated from fines is projected to increase by 14.12 percent in 2016/17. This increase is based on a decision to maximise internal revenue generation by more effectively enforcing traffic laws and regulations across the whole of the municipality. In addition to the improved revenue generation, the municipality is also committed to collecting all collectable revenue, by being stricter on granting relief to traffic offenders. Municipal employees guilty of traffic offences to whom fines are issued will not be granted relief, and also run the risk of facing disciplinary action.

**Agency Services:** The budget in relation to 2016/17 is a projection of the current performance based the February 2016 YTD actual, plus 6 percent.

**Transfers Recognised – Operational:** This revenue item is based on the Division of Revenue Bill of 2015 and the Provincial Gazette Extraordinary 7360. Again, the latest allocation could not be used due to time constraints based on adhering to the internal deadline of the item to be prepared and distributed to councillors to work through the document.

### 3.5.2 Operating Expenditure

The table below reflects the operating expenditure in relation to the current year and 2016/17 MTREF.

WC025 Breede Valley - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description  R thousand	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework					
	Original Budget	Adjusted Budget	Budget Year 2016/17	% increase from 2015/16 to 2016/17	Budget Year +1 2017/18	% increase from 2016/17 to 2017/18	Budget Year +2 2018/19	% increase from 2017/18 to 2018/19
<b>Expenditure By Type</b>								
Employee related costs	245 519	232 152	266 498	14.79%	282 372	5.96%	298 294	5.64%
Remuneration of councillors	15 408	15 309	16 168	5.61%	17 170	6.20%	18 183	5.90%
Debt impairment	49 414	49 414	52 379	6.00%	55 626	6.20%	58 908	5.90%
Depreciation & asset impairment	73 080	85 799	84 005	-2.09%	81 688	-2.76%	69 453	-14.98%
Finance charges	28 684	28 684	27 944	-2.58%	26 256	-6.04%	27 805	5.90%
Bulk purchases	258 858	258 858	277 193	7.08%	294 379	6.20%	311 748	5.90%
Other materials	54 926	50 237	54 208	7.91%	54 021	-0.34%	57 211	5.90%
Contracted services	7 534	9 663	10 243	6.00%	10 878	6.20%	11 520	5.90%
Transfers and grants	260	680	721	6.00%	766	6.20%	811	5.90%
Other expenditure	92 869	136 189	136 679	0.36%	195 883	43.32%	97 073	-50.44%
Loss on disposal of PPE	217	217	230	6.01%	245	6.21%	259	5.91%
<b>Total Expenditure</b>	<b>826 769</b>	<b>867 202</b>	<b>926 268</b>	<b>6.81%</b>	<b>1 019 285</b>	<b>10.04%</b>	<b>951 266</b>	<b>-6.67%</b>

Total budgeted operating expenditure for the 2016/17 financial year amounts to R926.27 million, suggesting a 6.81 percent increase from the 2015/16 adjusted budget amount.

In principle, the municipality applied an inflation linked increase to the 2015/16 adjusted budget to arrive at the 2016/17 draft budget figures. This inflation percentage was however not applied to all operating expenditures due to the corresponding reasons which are listed further down. These items are as follow:

**Employee related cost:** Employee related cost is based on the Salary and Wage Collective Agreement for the period 1 July 2015 to 30 June 2018. As per the agreement 2016/17 salary and wage increase should be equal to average CPI (Feb 2015 – Jan 2016) +1 percent.

Based on table A4, employee related cost is projected to increase by 14.79 percentage, with no new vacancies budgeted for 2016/17. This increase is based on the 2015/16 structure (current employees and posts to be filled up to the end of the current financial year). The personnel budget is calculated for the full 12 months of the financial year, regardless of when the post are to be filled. The savings that arise from filling vacancies later than the start of the financial year, are then used during the adjustment budget to finance other priorities and as contributions to the CRR.

Thus, the percentage increase from 2015/16 to 2016/17 appears excessive, but given the decreased adjusted budget figure in the current year, and the fact that the "12 month principle" is applied for the 2016/17 financial year also, we can rather compare the 2016/17 amount to the 2015/16 original budget amount, which provides for a 8.55 percentage increase. This 8.55 percent increase is also influenced by the implementation of TASK process currently underway that have the effect of certain employees earning higher salaries.

**Depreciation and asset impairment:** Depreciation is calculated based on the useful lives of assets, which are currently being reviewed. It should also be noted that the municipality held an auction on 19 February 2016, contributing to the decrease in depreciation to be charged during the 2016/17 financial year. Lastly, the commission date of the majority of capital projects are more to the end of the financial year (based on past trends), resulting in new additions not having a full year's depreciation, but only a part thereof.

**Finance charges:** The decrease in finance charges is a result of the loan repayment.

**Bulk Purchases:** This item comprises of electricity and water bulk purchases. The component relating to water is adjusted with 6 percent, whereas the electricity component is calculated based on the current trend plus 8 percent

**Other materials:** This item consists of repair and maintenance. The above inflation linked increase observed is due to planned maintenance needing to take place during the 2016/17 financial year. This is as per OHS requirements.

**Other expenditure:** The low percentage increase in other expenditure is due to the cost containment not being increased. Please refer to SA1 for the detail.

### 3.5.3 Capital budget

## MBRR Table A5 - Budgeted Capital Expenditure by standard classification and funding source

WC025 Breede Valley - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Council General		-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Strategic Support Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Technical Services		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Council General		10	-	121	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		48	93	224	2 050	3 346	3 346	3 346	-	-	-
Vote 3 - Strategic Support Services		1 798	3 797	1 368	2 941	4 430	4 430	4 430	1 400	-	-
Vote 4 - Financial Services		374	901	719	700	1 016	1 016	1 016	800	800	800
Vote 5 - Community Services		2 935	9 482	3 576	16 055	18 037	18 037	18 037	6 993	9 900	-
Vote 6 - Technical Services		102 452	113 552	69 889	130 184	98 433	98 433	98 433	86 328	53 357	12 998
<b>Capital single-year expenditure sub-total</b>		<b>107 618</b>	<b>127 825</b>	<b>75 896</b>	<b>151 930</b>	<b>125 262</b>	<b>125 262</b>	<b>125 262</b>	<b>95 522</b>	<b>64 057</b>	<b>13 798</b>
<b>Total Capital Expenditure - Vote</b>		<b>107 618</b>	<b>127 825</b>	<b>75 896</b>	<b>151 930</b>	<b>125 262</b>	<b>125 262</b>	<b>125 262</b>	<b>95 522</b>	<b>64 057</b>	<b>13 798</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		<b>2 585</b>	<b>9 347</b>	<b>7 267</b>	<b>17 206</b>	<b>19 768</b>	<b>19 768</b>	<b>19 768</b>	<b>2 200</b>	<b>800</b>	<b>800</b>
Executive and council		131	93	457	300	300	300	300	-	-	-
Budget and treasury office		423	901	396	700	1 566	1 566	1 566	800	800	800
Corporate services		2 032	8 353	6 414	16 206	17 902	17 902	17 902	1 400	-	-
<b>Community and public safety</b>		<b>7 883</b>	<b>20 890</b>	<b>6 042</b>	<b>19 107</b>	<b>21 829</b>	<b>21 829</b>	<b>21 829</b>	<b>9 774</b>	<b>15 715</b>	<b>-</b>
Community and social services		559	10 136	3 304	5 427	7 187	7 187	7 187	3 030	-	-
Sport and recreation		1 160	1 550	2 348	6 783	7 488	7 488	7 488	1 463	7 400	-
Public safety		5 480	9 203	391	6 762	7 018	7 018	7 018	5 281	8 315	-
Housing		684	-	-	135	135	135	135	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>6 650</b>	<b>17 341</b>	<b>24 376</b>	<b>24 530</b>	<b>25 444</b>	<b>25 444</b>	<b>25 444</b>	<b>9 273</b>	<b>-</b>	<b>10 000</b>
Planning and development		-	-	-	36	35	35	35	-	-	-
Road transport		6 498	17 198	24 376	24 494	25 409	25 409	25 409	9 273	-	10 000
Environmental protection		152	143	-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>90 500</b>	<b>80 238</b>	<b>38 211</b>	<b>91 088</b>	<b>58 221</b>	<b>58 221</b>	<b>58 221</b>	<b>74 275</b>	<b>47 542</b>	<b>2 998</b>
Electricity		25 925	8 641	10 977	24 128	15 461	15 461	15 461	6 857	13 648	1 831
Water		40 201	57 655	16 769	35 520	26 105	26 105	26 105	27 040	8 250	228
Waste water management		23 374	13 430	8 413	26 880	9 807	9 807	9 807	34 858	22 404	139
Waste management		1 000	513	2 053	4 560	6 848	6 848	6 848	5 520	3 240	800
<b>Other</b>		<b>-</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	<b>107 618</b>	<b>127 825</b>	<b>75 896</b>	<b>151 930</b>	<b>125 262</b>	<b>125 262</b>	<b>125 262</b>	<b>95 522</b>	<b>64 057</b>	<b>13 798</b>
<b>Funded by:</b>											
National Government		51 419	67 096	52 518	34 383	34 427	34 427	34 427	37 608	41 444	-
Provincial Government		14 978	9 031	5 629	29 972	13 706	13 706	13 706	21 000	-	-
District Municipality		-	-	-	1 000	-	-	-	-	-	-
Other transfers and grants		94	0	(0)	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	<b>66 491</b>	<b>76 127</b>	<b>58 147</b>	<b>65 355</b>	<b>48 133</b>	<b>48 133</b>	<b>48 133</b>	<b>58 608</b>	<b>41 444</b>	<b>-</b>
<b>Public contributions &amp; donations</b>	<b>5</b>	<b>-</b>	<b>13 859</b>	<b>202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>6</b>	<b>24 975</b>	<b>24 422</b>	<b>2 221</b>	<b>60 000</b>	<b>49 524</b>	<b>49 524</b>	<b>49 524</b>	<b>20 228</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>		<b>16 153</b>	<b>13 417</b>	<b>15 326</b>	<b>26 575</b>	<b>27 606</b>	<b>27 606</b>	<b>27 606</b>	<b>16 686</b>	<b>22 613</b>	<b>13 798</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>107 618</b>	<b>127 825</b>	<b>75 896</b>	<b>151 930</b>	<b>125 262</b>	<b>125 262</b>	<b>125 262</b>	<b>95 522</b>	<b>64 057</b>	<b>13 798</b>

The total capital budget for the 2016/17 financial year amounts to R95.52 million. The remainder of the MTREF see a significant decrease in budgeted capital expenditure, which is mainly as a result of projects funded from the external loan taken up in 2015/16 being moved to the 2016/17 financial year,



and the fact that the indicative allocations for the 2016/17 MTREF could not be accommodated.

As per the table above, the majority of funding is allocated to trading services which will ultimately promote service delivery and revenue generation. No multi-year projects have been identified, suggesting that the total capital budget will be implemented as single-year projects.

Kindly refer to SA36 for the detail capital budget.

#### **4. Annual Budget Tables**

The budget tables prepared in accordance with the Municipal Finance Management Act, and Municipal Budget and Reporting Regulations are listed in below:

- **Table A1** Budget Summary
- **Table A2** Budgeted Financial Performance (Revenue and Expenditure by standard classification)
- **Table A3** Budgeted Financial Performance (revenue and expenditure by municipal vote)
- **Table A4** Budgeted Financial Performance (revenue and expenditure)
- **Table A5** Budgeted Capital Expenditure by vote, standard classification and funding
- **Table A6** Budgeted Financial Position
- **Table A7** Budgeted Cash Flows
- **Table A8** Cash Backed Reserves / Accumulated Surplus Reconciliation
- **Table A9** Asset Management
- **Table A10** Basic Service Delivery Measurement

Kindly refer to Appendix A for further details.

Breede Valley Municipality do not have any entities, therefore, no consolidation of budget information and tables are presented in the document and other supporting documentation.

## PART 2 – Supporting Documentation

### 5. Overview of Annual Budget Process



	STEP	PROCESS
1.	<b>Planning</b>	Schedule key dates, establish consultation forums, review previous processes
2.	<b>Strategising</b>	Review IDP, Determine priorities, set service delivery targets and objectives for the next three years, consult on tariffs, indigent, credit control, free basic services, etc and consult local, provincial, and national issues, previous years performance and current economic and demographic trends.
3.	<b>Preparing</b>	Prepare budget, revenue, expenditure projections, draft budget policies, consult and consider local, provincial and national priorities.
4.	<b>Tabling</b>	Table draft budget, IDP and budget related policies before the council, consult and consider formal local, provincial, and national inputs and responses.
5.	<b>Approving</b>	Council approves budget and related policies.
6.	<b>Finalising/Implementation</b>	Publish and approve SDBIP and annual Performance agreements and indicators. Publish Budget in terms of sect.22 MFMA

14

#### DETAIL PROCESS FOLLOWED AND MSA AND IDP CREDIBILITY REQUIREMENTS



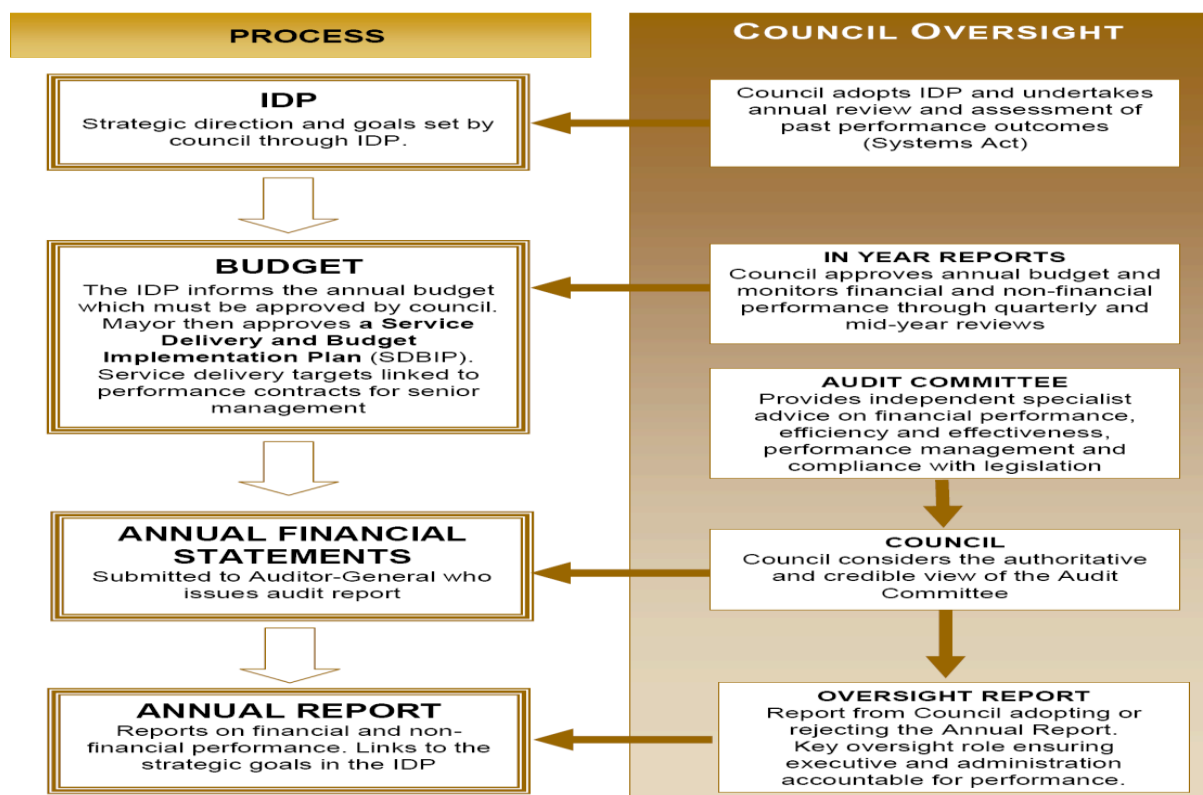
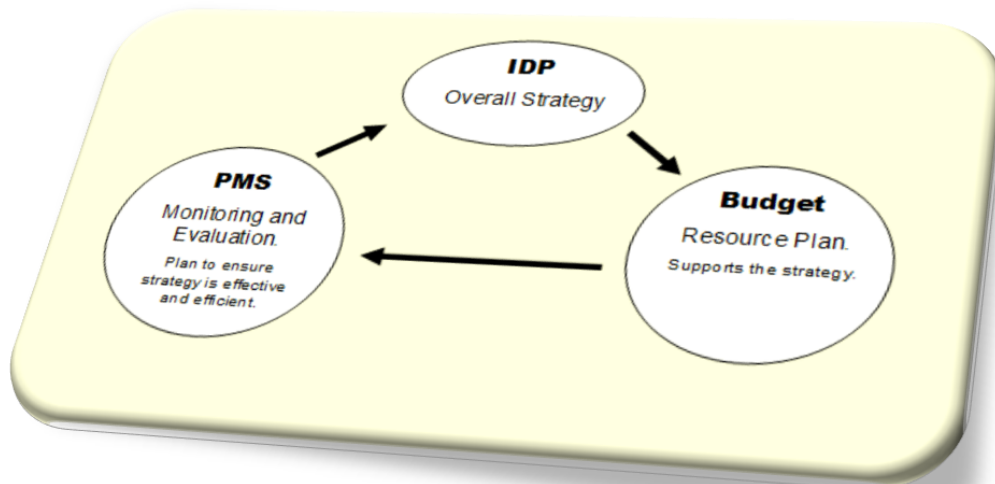
ISSUE	TIMEFRAME
IDP/Budget Process Plan/Timetable approved by council	August 2015
IDP Meetings – inputs from Ward Councilors & Ward Committees	Oct - Nov 2015
First IDP/ Budget Steering Committee Meeting	Oct-November 2015
Departmental inputs on Draft allocations	Nov & Dec 2015
Second Budget Steering Committee – Consider Adjustment budget	January 2016
IDP Rep Forum Consultation	November 2015 March 2016
Draft Budget input captured and Budget balanced	March 2016
Draft IDP & Budget tabled in Council	March 2016
IDP & Budget workshop - Council	April 2016
Public Consultation	April 2016
LGMTEC 3	May 2016
Finalise Sector / Dept Strategy Plan / Budget - IDP	April 2016
Consideration of Comments received	April 2016

The IDP / Budget process plan was consulted with all relevant stakeholders, whom are:

- Council
- Executive Mayor and Mayoral Committee
- Accounting Officer
- Management
- Institutional Committees
- District Municipality (Cape Winelands District Municipality)
- Intergovernmental (National Treasury, Provincial Treasury and Department of Local Government)
- Ward councillors, ward committees and community in wards

## 6. Overview of alignment of annual budget with Integrated Development Plan

The below diagrams illustrates the link between the municipality's IDP and Budget



## MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

WC025 Breede Valley - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Breede Valley				Supporting table on reallocation of RDP Strategic Objectives and Budget (Revenue)									
Strategic Objective		Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand					Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
To create a unique and caring valley of service excellence, opportunity and growth		Improve cooperation, integration and effective utilization of resources	1		-	-	-	-	-	-	-	-	-
To provide, maintain and assure basic services and social upliftment for the Breede Valley community		Sustainable basic services to communities	2		539 456	593 664	632 626	629 809	639 082	639 082	691 540	768 546	672 267
To create an enabling environment for employment and poverty eradication through proactive economic development and tourism		Poverty eradication through LED and Tourism	3		5 266	3 285	3 006	3 819	3 810	3 810	3 944	(83)	(88)
To ensure a safe, healthy, clean and sustainable external environment for all the residents in the Breede Valley		Safe, healthy and clean environment	4		26 020	54 671	38 393	65 018	64 169	64 169	70 792	74 993	83 264
Provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local government		Good governance and public participation	5		1 703	1 769	8 593	14 470	16 362	16 362	15 833	15 317	(277)
Ensure a healthy and productive workforce and an effective and efficient work environment		Healthy and productive workforce	6		777	1 159	735	1 225	1 225	1 225	1 233	1 241	149
Assure a sustainable future through sound financial management, continuous revenue growth corporate governance and risk management practices		Sound financial management, viability and risk management	7		126 328	151 856	138 837	140 862	142 509	142 509	154 427	164 977	173 608
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	699 550	806 403	822 190	855 204	867 158	867 158	937 768	1 024 991	928 924

## MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

WC025 Breede Valley - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Breede Valley - Supporting Table 5A: Reconciliation of BR Strategic Objectives and Budget (Operating Expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
R thousand													
To create a unique and caring valley of service excellence, opportunity and growth	Improve cooperation, integration and effective utilization of resources	1		-	-	-	-	-	-	-	-	-	
To provide, maintain and assure basic services and social upliftment for the Breede Valley community	Sustainable basic services to communities	2		479 076	531 624	578 445	563 788	602 660	602 660	635 514	713 588	639 332	
To create an enabling environment for employment and poverty eradication through proactive economic development and tourism	Poverty eradication through LED and Tourism	3		7 006	5 451	6 042	8 177	7 827	7 827	8 556	4 810	5 060	
To ensure a safe, healthy, clean and sustainable external environment for all the residents in the Breede Valley	Safe, healthy and clean environment	4		57 689	91 320	71 535	104 724	103 883	103 883	113 978	120 835	127 877	
Provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local government	Good governance and public participation	5		56 604	62 253	61 152	68 884	71 966	71 966	80 820	87 406	84 006	
Ensure a healthy and productive workforce and an effective and efficient work environment	Healthy and productive workforce	6		7 420	7 821	9 061	11 693	10 613	10 613	11 784	12 446	12 016	
Assure a sustainable future through sound financial management, continuous revenue growth corporate governance and risk management practices	Sound financial management, viability and risk management	7		46 840	48 334	49 898	69 504	70 253	70 253	75 617	80 200	82 975	
Allocations to other priorities													
Total Expenditure				1	654 635	746 804	776 134	826 769	867 202	867 202	926 268	1 019 285	951 266

## MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

WC025 Breede Valley - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand												
To create a unique and caring valley of service excellence, opportunity and growth	Improve cooperation, integration and effective utilization of resources	1		-	-	-	-	-	-	-	-	-
To provide, maintain and assure basic services and social upliftment for the Breede Valley community	Sustainable basic services to communities	2		103 593	124 258	71 142	135 932	104 821	104 821	87 791	60 757	12 998
To create an enabling environment for employment and poverty eradication through proactive economic development and tourism	Poverty eradication through LED and Tourism	3		188	245	188	-	-	-	-	-	-
To ensure a safe, healthy, clean and sustainable external environment for all the residents in the Breede Valley	Safe, healthy and clean environment	4		1 576	1 541	421	5 535	5 778	5 778	2 530	2 500	-
Provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local government	Good governance and public participation	5		1 390	880	3 297	9 763	13 964	13 964	4 400	-	-
Ensure a healthy and productive workforce and an effective and efficient work environment	Healthy and productive workforce	6		-	-	154	-	-	-	-	-	-
Assure a sustainable future through sound financial management, continuous revenue growth corporate governance and risk management practices	Sound financial management, viability and risk management	7		871	901	695	700	700	700	800	800	800
Allocations to other priorities			3									
Total Capital Expenditure			1	107 618	127 825	75 896	151 930	125 262	125 262	95 522	64 057	13 798

## 7. Measurable performance objectives and indicators

SA7 provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Please refer to SA7 in Annexure A

## MBRR Table SA8 - Performance indicators and benchmarks

The following table sets out the municipalities main performance objectives and benchmarks for the 2016/17 MTREF.

WC025 Breede Valley - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b><u>Borrowing Management</u></b>											
Credit Rating		A3.za	A3.za	A3.za	A3.za	A3.za	Baa1.za	Baa1.za			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	7.8%	7.7%	6.8%	6.5%	6.2%	6.2%	6.2%	5.4%	4.2%	3.8%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	9.6%	9.5%	8.7%	8.0%	8.0%	8.0%	8.0%	6.8%	5.5%	4.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	124.0%	0.0%	0.0%	69.3%	77.8%	77.8%	77.8%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	1.7	1.5	1.6	1.9	2.3	2.3	2.3	1.9	2.0	2.1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.7	1.5	1.6	1.9	2.3	2.3	2.3	1.9	2.0	2.1
Liquidity Ratio	Monetary Assets/Current Liabilities	1.0	0.9	0.9	0.7	1.2	1.2	1.2	1.1	1.1	1.2
<b><u>Revenue Management</u></b>											
(%)	Billing		100.6%	96.8%	96.1%	99.1%	99.1%	99.1%	99.1%	98.8%	98.7%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		99.0%	96.5%	95.0%	99.1%	99.1%	99.1%	99.1%	98.8%	98.7%	98.7%
Outstanding Debtors to Revenue	Revenue	15.5%	13.8%	14.0%	14.2%	13.7%	13.7%	13.7%	13.4%	12.8%	14.4%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	100.0%	100.0%	100.0%	97.0%	97.0%	97.0%	97.0%	98.0%	99.0%	99.0%
Creditors to Cash and Investments		71.1%	111.7%	70.2%	77.3%	48.3%	48.3%	48.3%	69.5%	67.4%	57.0%
<b><u>Other Indicators</u></b>											
	Total Volume Losses (kW)	23 792 009	23 139 404	19 602 291	25 188 681	25 188 681	25 188 681	25 188 681	24 674 626	24 674 626	24 674 626
	Total Cost of Losses (Rand '000)	19 511	20 056	17 976	20 151	20 151	20 151	20 151	19 740	19 240	19 240
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Electricity Distribution Losses (2)		7.39%	7.23%	6.16%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
	Total Volume Losses (kℓ)	2 203 168	1 118 536	2 856 247	2 425 603	2 425 603	2 425 603	2 425 603	2 377 000	2 377 000	2 377 000
	Total Cost of Losses (Rand '000)	9 065	6 622	18 941	8 247	8 247	8 247	8 247	8 079	7 879	7 879
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)		15.63%	9.52%	18.85%	17.00%	17.00%	17.00%	17.00%	16.00%	15.00%	15.00%
Employee costs	Employee costs/(Total Revenue - capital revenue)	29.8%	27.7%	27.2%	31.1%	28.3%	28.3%	28.3%	30.3%	28.7%	32.1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	31.8%	29.6%	29.1%	33.0%	30.2%	30.2%	30.2%	32.2%	30.5%	34.1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	7.2%	6.6%	8.1%	7.0%	6.1%	6.1%	6.1%	6.2%	5.5%	6.2%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	14.9%	13.6%	13.3%	12.9%	14.0%	14.0%	14.0%	12.7%	11.0%	10.5%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	13.1	14.9	16.4	18.3	18.3	18.3	18.3	24.5	34.1	36.3
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services (Available cash + Investments)/monthly fixed operational expenditure	18.2%	17.6%	18.2%	17.3%	17.3%	17.3%	17.3%	17.6%	17.7%	17.9%
iii. Cost coverage		3.1	1.8	2.3	1.6	2.5	2.5	2.5	2.0	1.9	2.3

## 8. Overview of Budget Related Policies

The following budget related policies are in use:

- Asset Management Policy
- Borrowing Policy
- Budget Policy
- Budget Virement Policy
- Costing Policy
- **Credit Control and Debt Collection Policy** – minimal changes. Refer to attached policy.
- Funding and Reserves Policy
- Insurance Management Policy
- Long Term Financial Plan Policy
- **Property Rates Policy** – significant changes. Please refer to the attached policy.
- Tariff Policy
- **Write-off Policy** – date changes to relevant financial year.

Apart from the indication of changes made to policies, all other policies have remained unchanged. Please refer to annexure D for the budget related policies.

## 9. Overview of Budget Assumptions

The following budget assumptions were used as basis for compilation of the 2016/2017 MTREF:

- Tariff increases:

<b>Service</b>	<b>Percentage Increase (%)</b>
Electricity	7.9%
Water	6%
Sewerage	6%
Refuse	6%

**\*Kindly refer to Annexure E for the complete list of tariffs**

- New General Valuation roll to be implemented 1 July 2016. New GV revealed significant increases in property valuation, which lead to the municipality deciding to decrease the rate in the rand charged.

The net effect suggest an realistic increase in property rates revenue, as opposed to charging consumers high amounts for property rates which will negatively affect the collection rate.

- CPIX = 6 percent
- Employee related cost is based on the Salary and Wage Collective Agreement for the period 1 July 2015 to 30 June 2018. As per the agreement 2016/17 salary and wage increase should be equal to average CPI (Feb 2015 – Jan 2016) +1 percent.
- Government Grant will be received as gazetted by National and Provincial Government – Indicative allocation used
- Electricity bulk purchases increase by 8 percent as per MFMA circular 78
- Minimal growth in revenue base. Mostly related to low cost housing.
- No increase applied on cost containment items
- Indigent households is anticipated to increase to 7750 households (formal)
- Budgeted collection rate equals to 96 percent
- Conditional grant will be fully spent
- No borrowings to be undertaken over the MTREF
- Credit rating: Baa1.za

## 10. Overview of Budget Funding

### Funding sources of operating expenditure budget.

WC025 Breede Valley - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Financial Performance</b>										
Property rates	84 678	88 604	94 992	99 345	99 977	99 977	99 977	113 087	120 099	127 185
Service charges	386 018	403 769	435 222	474 293	474 293	474 293	474 293	505 250	536 578	568 235
Investment revenue	5 697	9 428	10 592	9 000	9 000	9 000	9 000	10 000	10 620	11 247
Transfers recognised - operational	104 194	117 722	160 117	116 837	146 441	146 441	146 441	150 735	210 144	106 043
Other own revenue	52 474	96 895	62 919	90 374	89 314	89 314	89 314	100 088	106 107	116 215
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>633 060</b>	<b>716 418</b>	<b>763 841</b>	<b>789 849</b>	<b>819 025</b>	<b>819 025</b>	<b>819 025</b>	<b>879 160</b>	<b>983 547</b>	<b>928 924</b>

The table above is a summarised version of the operating revenues over the 7 year horizon. This overview provides the funding for operating expenditure incurred past the past, and to be incurred in future financial years.



## Funding sources of capital expenditure budget

WC025 Breede Valley - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Funded by:</b>											
National Government		51 419	67 096	52 518	34 383	34 427	34 427	34 427	37 608	41 444	-
Provincial Government		14 978	9 031	5 629	29 972	13 706	13 706	13 706	21 000	-	-
District Municipality		-	-	-	1 000	-	-	-	-	-	-
Other transfers and grants		94	0	(0)	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	66 491	76 127	58 147	65 355	48 133	48 133	48 133	58 608	41 444	-
<b>Public contributions &amp; donations</b>	5	-	13 859	202	-	-	-	-	-	-	-
<b>Borrowing</b>	6	24 975	24 422	2 221	60 000	49 524	49 524	49 524	20 228	-	-
<b>Internally generated funds</b>		16 153	13 417	15 326	26 575	27 606	27 606	27 606	16 686	22 613	13 798
<b>Total Capital Funding</b>	7	107 618	127 825	75 896	151 930	125 262	125 262	125 262	95 522	64 057	13 798

Similar to the operating revenue, capital funding indicates how the capital programme of the municipality will be financed in future years. Based on the above table, it is clear that the municipality is largely grant dependant when external funding (loans) are not being taken up.

Internal funding in the form of the Capital Replacement Reserve (CRR) is cash backed and sufficient to cover the related capital expenditure projects for the budget year. The municipality remains committed in growing the CRR by making contributions this reserve to enable better service delivery in the form of capital expenditure.

The municipality took up a R60 million external loan during the 2015/16 financial year to address capital needs, which could not be financed by internal cash reserves. As per the table above, a significant portion of the external loan are transferred to the 2016/17 budget year for implementation.

## 11. Expenditure on allocations and grant programmes

### MBRR SA19 - Expenditure on transfers and grant programmes

WC025 Breede Valley - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		66 190	72 039	78 520	85 041	84 997	84 997	90 956	100 156	106 043
Local Government Equitable Share		62 986	67 964	74 231	81 661	81 661	81 661	88 524	97 573	106 043
Local Government Financial Management Grant		1 250	1 300	1 232	1 450	1 406	1 406	1 475	1 550	–
Municipal Systems Improvement grant		956	500	977	930	930	930	957	1 033	–
Expanded Public Works Programme Integrated grant		800	1 000	1 006	1 000	1 000	1 000	–	–	–
EPWP Social sector		198	1 275	1 074	–	–	–	–	–	–
Implementation Water Conservation & Demand (ACIP)		–	–	0	–	–	–	–	–	–
<b>Provincial Government:</b>		31 993	41 250	77 821	26 845	56 373	56 373	54 654	108 888	–
Human Settlement development Grant		29 387	37 994	56 141	18 640	47 998	47 998	42 240	94 000	–
Fin. Assistance to Mun for Maintenance and contructio		114	87	106	129	129	129	–	–	–
Medicinal Plants Projects De Doorns		–	67	–	–	–	–	–	–	–
Library Services: Conditional grant		957	1 080	4 962	6 806	6 806	6 806	7 214	7 647	–
Community Development workers (CDW)		338	140	131	90	90	90	95	100	–
Access to basic services		1 196	80	–	–	–	–	–	–	–
Financial Management Support grant (FMSG)		–	–	990	–	1 015	1 015	–	–	–
Regional Socio-Economic Project		–	–	–	1 080	185	185	5 000	7 000	–
Thusong service centres grant		–	–	222	100	100	100	105	141	–
Disaster Relief - Stetley nskloof dam		–	1 801	15 269	–	–	–	–	–	–
Sport and Recreation		–	–	–	–	50	50	–	–	–
<b>District Municipality:</b>		45	17	3	–	–	–	–	–	–
Housing Consumer Education		–	3	3	–	–	–	–	–	–
Capacity Building for 20 Ward Committees		32	2	–	–	–	–	–	–	–
Facility Reg of Immoveable Property BVM		–	1	–	–	–	–	–	–	–
Tourism Development grant - Training		–	2	–	–	–	–	–	–	–
Tourism		–	10	–	–	–	–	–	–	–
Clean up Campaign of Sanhills Village		9	–	–	–	–	–	–	–	–
Waste Removal in Sandhills Village		4	–	–	–	–	–	–	–	–
<b>Other grant providers:</b>		5 965	4 416	3 773	4 951	5 071	5 071	5 125	1 100	–
Learnership SETA		777	863	518	600	600	600	600	600	–
LGWSETA		–	196	–	500	500	500	500	500	–
Work for water		5 188	3 134	3 024	3 851	3 851	3 851	4 025	–	–
Improve Capacity of Service		–	100	–	–	–	–	–	–	–
Fire Department Service of Equipment		–	79	–	–	120	120	–	–	–
Urban Search and Rescue capacity Building		–	–	105	–	–	–	–	–	–
Social contribution - Valuer L De Kock		–	–	30	–	–	–	–	–	–
Proj Preparation Fund Ground water		–	44	14	–	–	–	–	–	–
Upgrading land ownership		–	–	81	–	–	–	–	–	–
<b>Total operating expenditure of Transfers and Grants</b>		104 194	117 722	160 117	116 837	146 441	146 441	150 735	210 144	106 043

## 12. Allocations or grants made by the municipality

### MBRR SA21- Transfers and grants made by the municipality

WC025 Breede Valley - Supporting Table SA21 Transfers and grants made by the municipality

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash Transfers to other municipalities</b>											
<i>Insert description</i>	1										
<b>Total Cash Transfers To Municipalities:</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to Entities/Other External Mechanisms</b>											
<i>Insert description</i>	2										
<b>Total Cash Transfers To Entities/Ems'</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to other Organs of State</b>											
<i>Insert description</i>	3										
<b>Total Cash Transfers To Other Organs Of State:</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to Organisations</b>											
Grants in Aid - Section 67 MFMA		28	132	195	260	680	680	680	721	766	811
<b>Total Cash Transfers To Organisations</b>		28	132	195	260	680	680	680	721	766	811
<b>Cash Transfers to Groups of Individuals</b>											
<i>Insert description</i>											
<b>Total Cash Transfers To Groups Of Individuals:</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL CASH TRANSFERS AND GRANTS</b>	6	28	132	195	260	680	680	680	721	766	811
<b>Non-Cash Transfers to other municipalities</b>											
<i>Insert description</i>	1										
<b>Total Non-Cash Transfers To Municipalities:</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Transfers to Entities/Other External Mechanisms</b>											
<i>Insert description</i>	2										
<b>Total Non-Cash Transfers To Entities/Ems'</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Transfers to other Organs of State</b>											
<i>Insert description</i>	3										
<b>Total Non-Cash Transfers To Other Organs Of State:</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Grants to Organisations</b>											
<i>Insert description</i>	4										
<b>Total Non-Cash Grants To Organisations</b>		-	-	-	-	-	-	-	-	-	-
<b>Groups of Individuals</b>											
<i>Insert description</i>	5										
<b>Total Non-Cash Grants To Groups Of Individuals:</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-CASH TRANSFERS AND GRANTS</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS</b>	6	28	132	195	260	680	680	680	721	766	811

### 13. Councillors and board members allowances and employee benefits

#### MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

WC025 Breede Valley - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4	1	527 024	51 787	113 084			691 895
Chief Whip		1	487 399	36 555	126 228			650 182
Executive Mayor		1	682 818	49 708	126 228			858 754
Deputy Executive Mayor		1	562 806	41 021	88 068			691 895
Executive Committee		8	4 088 969	369 760	742 727			5 201 456
Total for all other councillors		29	6 036 062	207 258	1 830 163			8 073 483
<b>Total Councillors</b>	8	41	12 385 078	756 089	3 026 498			16 167 665
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM) (Vacant)		1	1 125 379	28 085	152 868	–		1 306 332
Chief Finance Officer		1	1 272 833	55 356	115 868	–		1 444 057
								–
								–
								–
<i>List of each official with packages &gt;= senior manager</i>								
Director: Community Services		1	957 397	223 954	140 905	–		1 322 256
Director: Technical Services		1	945 119	175 249	200 868	–		1 321 236
Director: Strategic Support Services (Vacant)		1	776 775	156 418	140 231	–		1 073 424
								–
								–
								–
								–
								–
								–
								–
<b>Total Senior Managers of the Municipality</b>	8,10	5	5 077 503	639 062	750 740	–		6 467 305

## 14. Monthly targets for revenue, expenditure and cash flow

### MBRR SA25 - Budgeted monthly revenue and expenditure

WC025 Breede Valley - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand																
<b>Revenue By Source</b>																
Property rates		8 995	15 798	8 359	8 881	9 333	9 337	9 348	9 307	8 563	8 579	8 562	7 142	112 202	119 159	126 189
Property rates - penalties & collection charges		62	63	62	66	93	94	95	79	71	70	70	60	885	940	995
Service charges - electricity revenue		33 380	37 776	38 346	31 106	32 129	28 840	35 115	31 362	28 936	29 470	28 451	30 132	385 044	408 917	433 043
Service charges - water revenue		3 417	4 545	2 514	3 161	4 628	4 417	5 801	5 833	6 649	4 869	4 857	3 467	54 159	57 516	60 910
Service charges - sanitation revenue		6 560	3 837	4 487	3 443	5 183	5 747	5 664	5 087	5 250	5 361	5 109	2 669	58 398	62 019	65 678
Service charges - refuse revenue		3 304	2 278	2 657	2 124	3 253	3 232	3 254	2 948	2 971	3 038	2 926	1 448	33 433	35 506	37 601
Service charges - other		(2 098)	(2 278)	(2 243)	(2 100)	(2 227)	(2 158)	(2 307)	(2 058)	(1 921)	(2 095)	(2 050)	(2 249)	(25 784)	(27 380)	(28 997)
Rental of facilities and equipment		1 278	1 352	1 405	1 176	1 194	1 093	1 269	1 198	1 187	1 154	1 125	1 223	14 655	15 564	16 482
Interest earned - external investments		763	984	762	645	745	308	1 336	911	909	527	1 323	787	10 000	10 620	11 247
Interest earned - outstanding debtors		207	220	209	315	225	231	244	214	236	244	251	238	2 834	3 009	3 187
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		2 200	2 523	2 889	2 285	3 762	1 188	3 040	1 413	2 750	2 837	3 246	34 937	63 070	66 793	74 581
Licences and permits		233	237	243	286	278	104	348	216	278	221	231	313	2 987	3 173	3 360
Agency services		-	582	571	573	689	622	455	788	520	514	531	1 096	6 942	7 373	7 808
Transfers recognised - operational		37 958	8 970	933	17 091	46 235	933	2 020	28 536	67 729	933	(7 652)	(52 951)	150 735	210 144	106 043
Other revenue		503	222	192	1 087	624	228	1 026	1 437	397	376	307	2 141	8 539	9 069	9 605
Gains on disposal of PPE		-	-	-	-	-	-	-	-	1 060	-	-	-	1 060	1 126	1 192
Total Revenue (excluding capital transfers and contributions)		96 764	77 109	61 387	70 139	106 143	54 214	66 708	87 273	125 586	56 096	47 286	30 453	879 160	983 547	928 924
<b>Expenditure By Type</b>																
Employee related costs		18 148	21 324	22 873	22 206	22 516	23 368	22 963	28 433	19 979	20 379	20 392	23 918	266 498	282 372	298 294
Remuneration of councillors		1 258	1 258	1 258	1 258	1 258	1 258	1 258	1 796	1 191	1 858	1 258	1 260	16 168	17 170	18 183
Debt impairment		7 499	7 463	7 534	7 499	7 499	25 873	10 561	7 141	7 141	7 141	7 141	(50 114)	52 379	55 626	58 908
Depreciation & asset impairment		6 990	6 990	6 990	6 990	6 990	6 990	6 990	6 990	6 990	6 990	6 990	7 116	84 005	81 688	69 453
Finance charges		2 432	2 432	2 432	2 315	2 315	2 315	2 315	2 315	2 315	2 253	2 253	2 253	27 944	26 256	27 805
Bulk purchases		14	36 583	34 077	20 929	21 279	14 927	20 370	26 290	17 123	19 345	17 381	48 874	277 193	294 379	311 748
Other materials		3 128	2 185	2 073	4 017	3 181	4 405	3 574	4 592	5 702	4 608	5 124	11 619	54 208	54 021	57 211
Contracted services		35	690	787	1 567	309	920	1 206	642	771	816	821	1 679	10 243	10 878	11 520
Transfers and grants		37	37	101	37	37	37	37	217	37	37	64	39	721	766	811
Other expenditure		10 203	22 242	8 639	12 400	11 001	13 800	13 533	96	10 395	9 836	11 976	12 558	136 679	195 883	97 073
Loss on disposal of PPE		10	10	10	10	10	10	10	10	10	10	48	87	230	245	259
Total Expenditure		49 754	101 213	86 773	79 228	76 395	93 903	82 816	78 522	71 656	73 273	73 447	59 287	926 268	1 019 285	951 266
Surplus/(Deficit)		47 010	(24 105)	(25 386)	(9 089)	29 748	(39 688)	(16 108)	8 751	53 930	(17 177)	(26 160)	(28 834)	(47 108)	(35 738)	(22 342)

### MBRR SA33 – Contracts having future budgetary implications

## MBRR SA35 - Future financial implications of the capital budget

WC025 Breede Valley - Supporting Table SA35 Future financial implications of the capital budget

Vote Description R thousand	Ref	2016/17 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Present value
<b>Capital expenditure</b>	1							
Vote 1 - Council General		—	—	—				
Vote 2 - Municipal Manager		—	—	—				
Vote 3 - Strategic Support Services		1 400	—	—				
Vote 4 - Financial Services		800	800	800				
Vote 5 - Community Services		6 993	9 900	—				
Vote 6 - Technical Services		86 328	53 357	12 998				
0		—	—	—				
0		—	—	—				
0		—	—	—				
0		—	—	—				
0		—	—	—				
0		—	—	—				
0		—	—	—				
0		—	—	—				
0		—	—	—				
<b>List entity summary if applicable</b>								
<b>Total Capital Expenditure</b>		95 522	64 057	13 798	—	—	—	—
<b>Future operational costs by vote</b>	2							
Vote 1 - Council General		Information not available						
Vote 2 - Municipal Manager								
Vote 3 - Strategic Support Services								
Vote 4 - Financial Services								
Vote 5 - Community Services								
Vote 6 - Technical Services								
0								
0								
0								
0								
0								
0								
0								
0								
<b>List entity summary if applicable</b>								
<b>Total future operational costs</b>		—	—	—	—	—	—	—
<b>Future revenue by source</b>	3							
Property rates		Information not available						
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
<b>List other revenues sources if applicable</b>								
<b>List entity summary if applicable</b>								
<b>Total future revenue</b>		—	—	—	—	—	—	—
<b>Net Financial Implications</b>		95 522	64 057	13 798	—	—	—	—

## 16. Capital expenditure details

### MBRR SA36 - Detailed capital budget per municipal vote

Please refer to table SA36 of annexure A.

## 17. Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

- **In-year reporting:** Reporting to National Treasury and Provincial Treasuries are done in line with the legislated prescripts. However, instances of unsuccessful uploading on the National Treasury Database are still evident in isolated cases, which are being dealt with through the assistance of Provincial Treasury.
- **Internship programme:** This programme is fully functional within the municipality with 5 interns being employed under this programme. Four

of the interns are currently rotating within the Finance Directorate, and one being developed in our Internal Audit section / unit.

- **Budget and Treasury Office:** The Budget and Treasury Office has been established in accordance with the MFMA.
- **Audit Committee:** An Audit Committee has been established and is fully functional.
- Service Delivery and Implementation Plan
- Annual Report: Annual report is compiled in terms of the MFMA and National Treasury requirements.
- MFMA Training
- Policies

#### **18. Other supporting documents**

Please refer to annexures E for MFMA circular 78:

#### **19. Annual budgets of municipal entities attached to the annual budget**

No municipal entities.

#### **COMMENTS BY OTHER DIRECTORATES**

**Acting Director Strategic Services** – Recommendation supported

**Acting Director Community Services** – Recommendation supported

**Director Technical Services** – Recommendation supported

#### **RECOMMENDATION**

That in respect of the 2016/17 Draft Budget discussed by Council at the Council Meeting of 30 March 2016:

1. Council approves the draft annual budget tables and annual budget supporting tables as prescribed by the Municipal Budget and Reporting Regulations, as set out in Annexure A.
2. Council approves the Quality Certificate signed by the Accounting Officer, as per Annexure B.
3. Council approves the revised draft budget related policies as per Annexure C.



4. Council approves the draft property rates and charges on properties as per the General Valuation Roll to be implemented 1 July 2016, as per Annexure D.
5. Council approves the tariffs, tariff structures and service delivery charges for water, electricity, refuse, sewerage, and other municipal services as per Annexure D

**Proposed: Cllr C. Wilschut**

**Seconded: Cllr. W. R Meiring**

**C22/2016**

**RESOLVED:**

That in respect of the 2016/17 Draft Budget discussed by Council at the Council Meeting of 30 March 2016:

1. Council approves the draft annual budget tables and annual budget supporting tables as prescribed by the Municipal Budget and Reporting Regulations, as set out in Annexure A.
2. Council approves the Quality Certificate signed by the Accounting Officer, as per Annexure B.
3. Council approves the revised draft budget related policies as per Annexure C.
4. Council approves the draft property rates and charges on properties as per the General Valuation Roll to be implemented 1 July 2016, as per Annexure D.
5. Council approves the tariffs, tariff structures and service delivery charges for water, electricity, refuse, sewerage, and other municipal services as per Annexure D